Project Charter Development

Introduction

Clear and accurate definition of a project is one of the most important actions you can take to ensure the project's success. The clearer the target the more likely you are to hit it. Defining a project is a process of selection and reduction of the ideas and perspectives of those involved into a set of clearly defined **objectives**, **key success criteria** and evaluated **risks**.

This definition process should culminate in the production of a **Project Charter** (Note that a Project Definition document and a Project Charter are one in the same). Completion of the document comes with the approval and issuance of the Project Charter by a manager with the authority to apply organizational resources to the project's activities. Therefore, the seniority of the manager or the management team will be commensurate with the size, cost and business value of the project. As a minimum, the Project Charter should include a statement of the business needs that the project seeks to address and the description of the product, service or deliverable business objectives that will be its output.

When performing a project under a contract between a seller and a buyer (i.e. Vendor and State), the signed contract may well serve as the project charter for the seller (Vendor/Contractor). However, this may not necessarily be the case for the buyer (the State) whose project may include more than the product or service purchase under the contract. In many cases, you will find that the Sellers (Vendor/Contractor) in writing their contract (or Project Charter) in many cases seek to protect their own investment. That is why it is strongly recommended that a Project Charter be created internally, prior to bringing the Vendor into the mix. If the vendor is truly to be part of the development of the Project Charter, It is recommended that the internal project team complete the document as best as possible with as much information that they have available, to ensure the needs of the State are captured.

The best way to define a project is to ask the project team, colleagues with particular expertise, senior managers, and of course yourself (as the project leader), a standard set of questions.

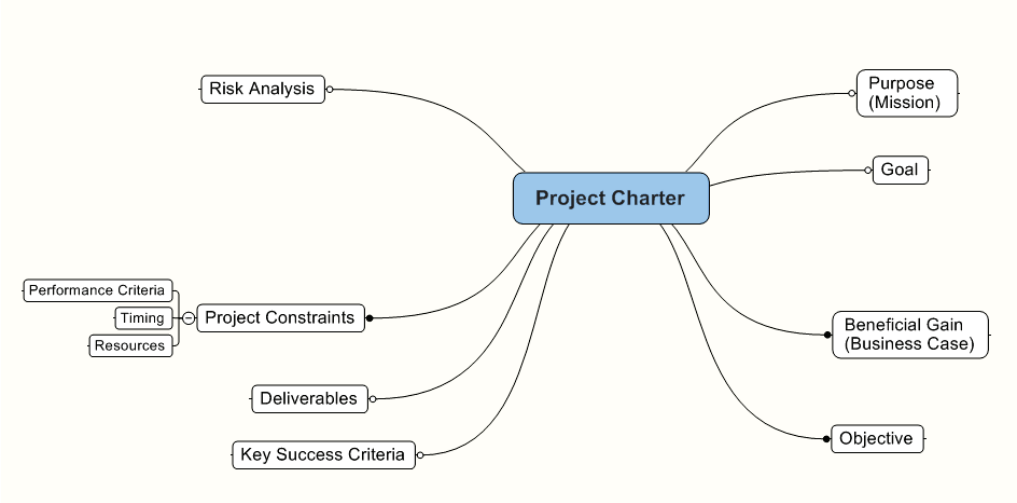

Figure 1 - Project Charter Development

These questions fall into categories:

The Purpose (or Mission)

Explain the reason for doing the project.

- Explain what the project is about in broad terms
- Explain Who wants the project done and why
- Give the Project a Title (and if you are going to give it an acronym try to insure that it reflects the project itself)

The Goals

Define the targets that must be met in the delivery.

- What is it that the team is attempting to achieve?
- When does the team want to achieve it (or ask the question, what is the delivery timeframe)?
- What are the deliverables?
- Explain why these goals are essential to the project.

The Beneficial Gains or Scope

Explain how the organization (State, Agency, Division, etc) will gain from the completion of this project. (Note: Defining the performance criteria is essential in this section)

- How will things be different at the completion of this project?

- Is there a clear need and how is it to be quantified?
- Specifically who benefits from the project? How do they benefit? Finally, what is it that the specifically gain?
- Do the beneficiaries agree the need for the project and the proposed solution?
- Is the project to identify and or the solution?
- Is there a dependency on the direction of the solution?
- Have alternatives been identified? If so what are those alternatives? Are they satisfactory to the beneficiaries?
- Are the methods taken to achieve the goals an important part of the beneficial gain (i.e. is this a learning or pilot project?)?
- How important is this project in comparison to other projects?
- How important is this project to you (Your Agency, department, etc.)?
- What is it worth to you and the beneficiaries to have this need satisfied?

From experience comes wisdom in collecting the answer to these question, and in many cases you will find that you will come up with more questions. The best way to start answering these questions is to start by imagining that you have no constraints. Use brainstorming and other techniques to generate ideas that most succinctly describe the Purpose, Goals and Beneficial Gains. Now reduce these down to the fundamentals.

Objectives

In defining the project's Purpose, Goals and Beneficial Gains you began with some very broad aims, now the need is to take those and define some very measurable objectives that will tell us if we have in fact met our goals and to what standards.

Specifically, we must now take each goal defined and document how we are going to measure it to confirm that we have in fact reached certain milestones (or waypoints) including the final one of project completion.

The measurable objectives (when achieved) demonstrate the extent to which the beneficial gains have been achieved, the goals have been met, and that the purpose of the project has been achieved.

Here is a quick example:

- Goal-1A: A Local Authority has a statutory duty to provide accommodation for homeless people. It needs to develop a temporary housing strategy that removes the need for expensive bed and breakfast accommodation for homeless people.

1A Measurable Objectives:

- Links to Housing Associations and Shelters, to ensure that we have sufficient capacity to meet our expected (150 per annum) homeless needs.
- Reduce the number of bed and breakfast lets over 2 years from 100 to 0.
- Verify that annual cost of accommodating homeless people has reduced by at least 10%.

Key Success Criteria (KSC)

A Key Success Criteria (KSC) is an objective that will define your project's success if all else fails. These objectives must be met for the project to be deemed a success even though other objectives were reached.

For example, if the KSC for your project is to deliver the project without exceeding the initial budget. Then if you delivered the project meeting all other objectives but went over your initial budget by even 1% it would be deemed a failure.

At this point, what you and your team must do is select objectives that are critical or key to the success of the project. These are the items that are critical to those who will benefit from the project and those with the responsibilities for judging success criteria (Managers, Customers, Members, Shareholders, Stakeholders etc.).

The purpose of this is twofold. First, it will clarify the essential benefits that the project will deliver for your project team and service managers. Secondly, if circumstances change within the life of the project then it is often extremely useful to see the success criteria that were agreed to at the start of the project.

In this way, the project may then be re-planned to ensure the KSC are met or the KSC may be formally changed via a Change Request (by Senior Managers in the light of changed circumstances) and the project redefined and re-planned to ensure they are met.

Deliverables

The fundamental question that must be answered here is "What is being delivered", after all the fundamental objective of a project is to deliver something new.

It is not always easy to distinguish between aims (goals), objectives and deliverables. If the project is to create new products or modify existing ones, then the list of deliverable items may be as simple as a set of part or product numbers.

It may be three sets,

- New parts or products,
- Obsolete parts or products and,

- Products or parts not affected by the project.

These deliverables are easily distinguishable from the **goal;** which may be to increase market share by 7%, and the **objectives;** to have the product shipping by the 3rd quarter of the year, at a works cost price of $300.00, with shipments reaching or exceeding 5000 per month by end of the year.

However, the deliverable items may be less easy to distinguish in some projects. A project to deliver the implementation of a new integrated housing management computer system will deliver parameter set-up, data transfer, staff training, etc. However, these look very little different from the objectives, parameter set-up by March 30th, data conversion by June 15th, and staff training by the end of July.

In the first example, a new product will have a specification (or a set of specifications) which defines its essential elements, its functions, its quality standards, its marketing requirements, etc. These will form part of the project's deliverables or they may have been deliverables of a previous research project. Thus, the deliverables may be reduced to a simple set of inventory numbers.

The deliverables of the second project should concentrate on the qualitative and quantitative aspect of the project. For example, the set-up phase will deliver the responsive repairs functions of the *Repairs Module* but not the programmed works functions. The data transfer will deliver the defect description but not the itemized repair for completed and paid orders for the last 4 years. The training in July will not include the production of statistical data.

In effect, the deliverables list becomes a set of specified outputs (a quantity and quality specification) for each milestone or waypoint of the project.

Project Constraints

I cannot tell you how many times I have worked a project where I was told that the project had no constraints. Those that had delivered the message were usually on a management level and had not considered the big picture. In every case, they were incorrect in their statement.

Every project has constraints, the primary being the tradeoffs of Time, Resources and performance criteria. Projects in general must be defined that constraints can be managed at a minimum.

To define our project we have to make some hard choices to select and balance these constraints. Let us look first at Resources and Performance Criteria and then Time.

Resources

Resources are people, equipment and money. They may be internal or external and include suppliers, contractors, partners, statutory bodies, governments, banks, loans, grants, expert opinion (Lawyers, Accountants, and Consultants), etc.

Generally, we are reasonably good at estimating or obtaining estimates for the use and costs of external resources. Where we are not, we can obtain expert opinion from either an internal or external source (another cost). Where we often fail is in estimating the cost using internal resources, particularly people.

Aside from the employment costs, there are:

- Costs to the service provision they normally perform,
- Cost of substitution to maintain the service,
- Loss of opportunity for them to work on other projects (i.e. the loss of the benefit those projects would deliver) and,
- Cost of training associated with the project work.

Because internal resources are normally so constrained, it is vital that we select our projects with the utmost care to maximize the use of that resource. Defining projects helps us to make this selection objectively and rationally. Consider these definitions:

"Work in a project is proportional to the number of Objectives and the Performance Criteria"

Clearly, if we reduce the number of our objectives and the performance standard (e.g. 5% rather than 10% improvement of sales or reduction of costs then we can reduce the work required to complete the project.

Number of resources deployed x Time = Work

Therefore, another way of expressing work is in the number of resources we will need and the time those resources will have to be deployed on the project. If we can reduce the work, we can reduce the time and/or the number of resources. It must be kept in mind that the relationship between the number of resources deployed and the time it takes to do a given amount of work is not linear. Often, just adding people to a project can increase the time because they have to be trained, managed and their work co-ordinate with others. All this takes work and therefore time.

If we decide that all the objectives must be met and we cannot reduce the work then what other options do we have?

Time =Work ÷ Resource Capability

Sometimes we can speed up the work by using bigger, faster, more powerful machines (computers, plant and machinery) but, of course, this has a cost. When the resource is people, we can employ more highly skilled, more intelligent and more capable people (if we can find them and persuade them to work on the project). Nevertheless, whether it is machines or people:

"Resource Capability is normally directly proportional to Resource Cost"

And

Work x Resource Cost = Total Cost

Therefore, to reduce the cost of a project and/or to conserve resources for other projects we need to keep the work to a minimum consistent with achieving the aims and objectives of the project. However, as the Work is reduced by increasing the Resource Capability there is a trade off between resource cost and Total Cost. There may also be a reduction in overall project time and this may have its own opportunities, benefits and/or cost savings.

Performance Criteria

The Performance Criteria are the things the project will deliver and to what quality standard they will be delivered.

For example:

A project to connect travelling or home workers to the corporate computer network may have three possible sets of performance criteria.

1. Every external employee must have modem access to corporate and external E-mail via the Internet

2. Every external employee must have access to corporate E-mail and one departmental server via ISDN connections

3. Every employee must have access to all corporate computer systems via ISDN (from home) and modem (from hotels)

The equipment costs, the number and complexity of tasks and the knowledge requirement associated with each of these performance criteria are very different. For example it is not possible to deliver the same performance using a modem as it is using an ISDN line so further definition is required if performance criteria 3 is selected.

One of the main reasons for producing a well-defined Project Definition is to ensure that the Performance Criteria are set and agreed. We must define what it will **NOT** deliver, what it will deliver, and to what quality standard. The clear aims and the measurable objectives derived from the definition process enable us to set the Performance Criteria and the quality standard. Why is this important? Because;

"The number, size and complexity of Project Tasks are directly proportional to the Performance Criteria which have been set for the project. The Performance Criteria, therefore, determines the amount of work to be done".

When looking at resource decisions we have seen that these are directly affected by the amount and type of work that has to be done. Therefore, the time the project will take and the amount that it will cost can be expressed as follows:

PC = (RD/RCa)*T))
Performance Criteria = Resource Days / Resource Capabilities x Task)

And

W = (RD * Ti)
(Work = Resource Days x Time)

And

Ti = W / RCa
(Time = Work / Resource Capabilities)

And

RCa = RC
Resource Capability = Resource Cost

And

TC = (W * RC)
Total Cost = Work x Resource Cost

Therefore, the result is Increased Project Criteria is equal to Increased Project Time and Cost

Therefore, to increase the performance criteria it is usually necessary to increase the **Work** or to obtain resources with greater capabilities (i.e. they can perform the same work in a shorter period). For example, by using machines or highly skilled staff, we can decrease the **Resource Days** or we can choose to keep these the same and increase the **Performance**.

Time

If we choose to reduce the **Resource Days** by increasing the **Resource Capability** this will not necessarily reduce the **Total Cost** because the reduction in resource days may be out weighed by the increased **Resource Cost.**

Resource Capability will reduce the task time and often results in a delivery **Time Cost** to be associated with the project. Driving the cost to the organization to be less or its income improved. This is what is called the 'Window of Opportunity' factor.

Therefore, it is self evident that there is always a trade off decision to be made between **Time, Resources and Performance Criteria**. This is why the Project Definition is so important. It allows us to define that trade off, to have the senior managers approve it and the consequent allocation of resources.

Risk Analysis

The reason for Risk Analysis is simple, in that it drives us to Identify, Quantify, and make Contingency Plans for those risk.

The constraints on a project are one form of risk. The project may well have specific constraints that lead to identifiable risks. What do we mean by project risk?

A risk is anything that will have a negative impact on any one or all of the primary project constraints. In addition, is further defined as an event that has a probability of taking place. i.e. **Time, Resources and Performance Criteria**.

Some examples might be:

- A key person with specialist skills is required for several projects. If one of those projects over run then that person will be required to work on several projects at the same time. If this is not practical then the other projects will be delayed.

- A person selected to do work on a project may not have the skills to do the work. If this risk is identified then the project plan can allow for training time and learning curve time. Alternatively, another resource may be identified.

- A vital machine may be scheduled for maintenance during the time it is required for the project. Both the fact of the maintenance schedule must be known and the effect of early or late maintenance or even machine substitution must be assessed and built into the project plan.

Let us take the example of a new computer system implementation and look at what is often one of the most time consuming tasks (one that is so often prone to increased duration) and see how we might reduce the associated risks.

When implementing a new computer system the quantity and difficulty of data transfer (extracting data from the existing system, reformatting it and importing it into the new system) is often under grossly estimated. The time the work will take has a great sensitivity to:

- IT staff programming skills, their technical knowledge of both systems as well as their knowledge about how the old and new systems will be operated.

- The similarity of previous transfers by the supplier for other customers (even similar ones will not be the same).

- The similarity between the data in the old and new systems is not there.

- The quality of the data to be transferred.

- The knowledge and skill of the staff that must validate the data transferred.

- The importance of the historical data to the satisfactory operation of the new system or the service level provision to customers.

All of these will almost certainly be untried to some extent. The greater the quantity and type of data transferred the greater the work in constructing the data transfer programs and in validating the take-on data.

What are the risks?

- That the cost of data transfer will increase.
- That the 'live' date will be delayed.
- That the system may not operate correctly.
- That the customers will be dissatisfied.
- That the organization will be publicly criticized.
- That, in consequence, the organization will lose income or market share.

What is important to understand from the example presented is that is that Risk can be reduced for this project by analyzing what is essential data, what the accurate data is, and finally what is merely nice to have. In the case of this project we can minimize the Risk by transferring only essential data that is also accurate. Re-enter essential but inaccurate data and store the rest on CD-ROM when the data transfer part of the project is complete. The data stored on the disc may never be used but you will have a warm and comfortable feeling for having done it. Obviously, putting only your best people on the project will also substantially reduce the risk of delay and the consequences of having inaccurate data.

Conclusion

The intent of this document is to assist the Project Manager in assembling his or her thoughts prior to constructing a Project Charter for their project. The more thought that is inserted into the creation of the document the easier it will be to create the document, the more information collected from the Project Team, Stakeholders, Sponsors, Steering Committee Members, etc. the better their project will be defined.

Finally, the better-defined project will be the one that has a 50 / 50 chance of delivering on time and on budget.

Remember that from the results of your Project Charter comes the information to construct and build your **Project Plan**.

Administrative Information

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